

13824

RECORDATION NO. .... Filed 1425

OCT 28 1982-3 02 PM

2-301A039

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New No.

Agatha L. Mergenovich  
 Secretary  
 Interstate Commerce Commission  
 Washington, D. C. 20423

No.

OCT 28 1982

Date

Fee \$

60.00

RECORDATION NO.

13824 A

Filed 1425

OCT 28 1982-3 02 PM

ICC Washington, D. C.

Dear Ms. Mergenovich:

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and seven counterparts of a Lease Agreement dated as of September 30, 1982. This Lease Agreement is a primary document. Also enclosed are two Lease Supplements specifically describing the equipment to be leased under the Lease Agreement. The Lease Supplements are secondary documents.

A general description of the locomotives and railroad cars covered by the enclosed documents and intended for use related to interstate commerce is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties to the Lease Agreement and the Lease Supplements are as follows:

RECORDATION NO.

13824-B

Filed 1425

Lessor:

First Security Bank of Utah,  
 National Association and  
 Robert S. Clark, as trustees  
 under Lone Star Steel Company  
 Trust No. 82-1  
 79 South Main Street  
 Salt Lake City, Utah 84111  
 Attention: Trust Division Corporate  
 Trust Department

Lessee:

Lone Star Steel Company  
 P.O. Box 35888  
 2200 West Mockingbird Lane  
 Dallas, Texas 75235  
 Attention: Vice President and  
 Controller

I.C.C. BR. OF OPERATION

OCT 28 2 55 PM '82

RECEIVED

The undersigned is the Lessee mentioned in the enclosed documents and has knowledge of the matters set forth therein.

Please return the original and five copies of the Lease Agreement and the Lease Supplements to Robert Nash, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$60.00 covering the required recording fee.

A short summary of the enclosed primary and secondary documents to appear in the Index is as follows:

C.T. Kap. Lea

2

Lease Agreement and two Lease Supplements between First Security Bank of Utah, National Association and Robert S. Clark, as Trustees under Lone Star Steel Company Trust No. 82-1, 79 South Main Street, Salt Lake City, Utah 84111, and Lone Star Steel Company, as Lessee, P.O. Box 35888, 2200 West Mockingbird Lane, Dallas, Texas 75235 covering 5 locomotives and 118 railroad cars.

Very truly yours,

LONE STAR STEEL COMPANY

By Daniel P. Casey  
Its Attorney in fact for Alex Lundsten, its  
LESSEE AS AFORESAID Vice President

Enclosures

DESCRIPTION OF EQUIPMENT

Group C

<u>Description of Item</u>	<u>Seller</u>	<u>Group</u>	<u>Serial No.</u>	<u>Lessor's Cost</u>	<u>Place of Delivery and Location</u>	<u>Re-Lease Values</u>
Terex 33-05B Hauler	Lone Star	C	68341	\$ 150,900	Lone Star, Tx	See Schedule B attached hereto
Rebuilt Super- switcher (3)	T&N Railroad	C	TN55/56/57	1,070,000	Lone Star, Tx	
Renner RHP60 Straddle Crane	Lone Star	C	60RHP024	220,200	Lone Star, Tx	
New 1800HP Locomotive	T&N Railroad	C	TN996	740,000	Lone Star, Tx	
New Slug Locomotive	T&N Railroad	C	TN3	<u>248,000</u>	Lone Star, Tx	
Total Lessor's Cost				<u>\$2,429,100</u>		

DESCRIPTION OF EQUIPMENT

Group D

<u>Description of Item</u>	<u>Seller</u>	<u>Group</u>	<u>Serial No.</u>	<u>Lessor's Cost</u>	<u>Place of Delivery and Location</u>	<u>Re-Lease Values</u>
Rebuilt 70 Ton Hoppers (68)	T&N Railroad	D	TN5020 through TN5087, both inclusive	\$2,176,000	n/a	See Schedule B attached hereto
Rebuilt 100 Ton Gondolas (10)	T&N Railroad	D	TN8013 through TN8022, both inclusive	370,000	n/a	
Rebuilt 70 Ton Hoppers (40)	T&N Railroad	D	TN5088 through TN5127, both inclusive	1,360,000	n/a	
Ford Fire Apparatus	Lone Star	D	DYD80V8B VJ17283	<u>85,000</u>	Lone Star, Tx	
Total Lessor's Cost				<u>\$3,991,000</u>		

**Interstate Commerce Commission**  
Washington, D.C. 20423

10/28/82

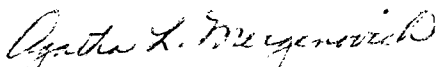
OFFICE OF THE SECRETARY

**Robert Nash, Esq.**  
**Chapman & Cutler**  
**111 West Monroe Street**  
**Chicago, Illinois 60603**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **10/28/82** at **3:00pm**, and assigned re-recording number(s). **13824, 13824-A & 13824-B**

Sincerely yours,

  
Agatha L. Mergenovich  
Secretary

Enclosure(s)

SE-30  
(7/79)

13824

RECORDATION NO. .... Filed 1425

OCT 28 1982-3 00 PM

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INTERSTATE COMMERCE COMMISSION

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LEASE AGREEMENT

Dated as of September 30, 1982

BETWEEN

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION  
and ROBERT S. CLARK,  
as trustees under Lone Star Steel Company Trust No. 82-1

LESSOR

AND

LONE STAR STEEL COMPANY

LESSEE

---

(Lone Star Steel Company Trust No. 82-1)

TO THE EXTENT THAT THIS LEASE CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OF THIS LEASE BUT ONLY THROUGH THE TRANSFER AND POSSESSION OF THAT COUNTERPART OF ANY LEASE SUPPLEMENT MARKED "COUNTERPART NO. 1" AND THE SECURITY INTEREST, IF ANY, CREATED THEREBY SHALL ONLY PERTAIN TO SUCH LEASE SUPPLEMENT AND THE ITEM OR ITEMS DESCRIBED THEREIN AND NO OTHER LEASE SUPPLEMENT OR ITEMS.

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ATTACHMENTS TO LEASE AGREEMENT:

EXHIBIT A - Form of Lease Supplement

EXHIBIT B - Schedule of Casualty Value

EXHIBIT C - Schedule of Termination Value

SCHEDULE 1 - Description of Equipment

## LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of September 30, 1982 between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, and ROBERT S. CLARK, as trustees under the Trust Agreement referred to in Section 1 hereof (the "Lessor") and LONE STAR STEEL COMPANY, a Texas corporation (the "Lessee").

### SECTION 1. DEFINITIONS

The following terms shall, unless the context otherwise requires, have the following meanings for all purposes of this Lease:

"Acquisition Agreement" shall mean the Acquisition Agreement dated as of September 30, 1982 between the Lessor, the Lessee and the other Sellers named therein, as the same may from time to time be supplemented or amended in accordance with its terms.

"Casualty Occurrence" with respect to any Item of Equipment shall mean any of the following events with respect to such Item of Equipment: (i) the total loss of such property; (ii) such Item of Equipment shall become lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever; or (iii) the condemnation, confiscation, or seizure of, or requisition of title to or use of such Item, by an act of the United States government or any state or local authority or any instrumentality or agency of any thereof which requisition continues for more than one year (it being understood that a requisition of use for an indefinite period shall be deemed to extend beyond one year only if such requisition does in fact extend beyond one year).

"Casualty Value" of an Item of Equipment as of the Periodic Rent Commencement Date or any Periodic Rent Payment Date shall mean the amount determined in accordance with Exhibit B hereto.

"Default" shall mean any event which would constitute an Event of Default if any or all requirements in connection therewith for the giving of notice, the lapse of time and the happening of any further condition, event or act had been satisfied.

"Equipment" or "Items" shall mean all of the Group A, Group B, Group C and Group D Items of Equipment, together with any and all accessories, appliances, equipment, parts and appurtenances, whether now owned or hereafter acquired from time to time incorporated or installed therein or thereon. "Item" or "Item of Equipment" shall mean any individual Group A, Group B, Group C or Group D Item of Equipment. "Group A Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of six (6) years. "Group B Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement

and having a Lease Term of seven and one-half (7-1/2) years, "Group C Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of ten (10) years and "Group D Equipment" shall mean the Items of Equipment designated as such in a Lease Supplement and having a Lease Term of twelve (12) years.

"Event of Default" shall mean any of the Events of Default referred to in Section 16 hereof.

"Indemnatee" shall mean each of the following persons or entities: the Lessor (individually and in their fiduciary capacities), the Trustor, the Secured Parties and any other from time to time holder of the Notes and the Trust Estate, and their respective successors, assigns, agents and servants.

"Institutional Investor" shall mean (i) any bank, savings institution, trust company or national banking association acting for its on account, (ii) any finance company, (iii) any insurance company or fraternal benefit society, (iv) any pension, retirement or profit sharing trust or fund, or (v) any corporation all of whose capital stock are owned by any of the foregoing.

"Interchange Rules" shall mean the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads, as the same or any successor rules or regulations may be in effect from time to time.

"Interim Rent" shall mean, for any one Item, the aggregate Interim Rent payable for such Item pursuant to Section 3(a) hereof, and for all Items of Equipment, the aggregate of all such Interim Rent payable for such Items.

"Lease Supplement" shall mean any Lease Supplement, substantially in the form of Exhibit A hereto, entered into between the Lessor and the Lessee, pursuant to Section 2(b) hereof. Each reference herein to "this Lease", "herein", "hereunder" or other like words shall include this Lease and each Lease Supplement.

"Lease Term" shall mean the term of this Lease specified in Section 4 hereof.

"Lessor" shall mean First Security Bank of Utah, National Association, and Robert S. Clark, as trustees under the Trust Agreement, and their respective successors and assigns under the Trust Agreement, including any transferee or transferees of all or any part of their right, title and interest in and to the Trust Estate.

"Lessor's Cost" shall mean, for any one Item, the Lessor's Cost of such Item set forth in the Lease Supplement covering such Item, and for all Items of Equipment, the aggregate Lessor's Cost of the Equipment set forth in all of the Lease Supplements.

"Manufacturers" shall mean all persons furnishing materials or services in respect of the manufacture, construction, delivery, erection, assembly, installation, inspection or testing of the Items.

"Notes" shall mean the Notes issued and outstanding under the Participation Agreement and the Security Agreements, together with any substitutions or replacements of any thereof.

"Participation Agreement" shall mean the Participation Agreement dated as of September 30, 1982 among the Lessor, the Sublessee, the Trustor and the Secured Parties as the same may from time to time be supplemented or amended in accordance with its terms.

"Periodic Rent" shall mean for any one Item, the aggregate Rent payable for such Item pursuant to Section 3(b) hereof, and for all Items, the aggregate of all such Rent payable for such Item.

"Periodic Rent Commencement Date" shall mean January 3, 1983.

"Periodic Rent Payment Dates" shall mean April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995.

"Permitted Encumbrances" shall mean with respect to each Item, but only to the extent applicable to such Item: (i) any liens thereon: (x) for taxes, assessments, levies, fees and other governmental and similar charges, (y) of mechanics, laborers, materialmen and suppliers for work or service performed or materials furnished in connection with the Item, which in any such case are not due and payable or the amount or validity of which are being contested in good faith by appropriate legal proceedings which will not result in the forfeiture or sale of the Item or adversely affect the Lessor's title thereto or either Secured Party's security interest therein or interfere with the due payment by the Lessee to either Secured Party, the Lessor or the Trustor of any Rent or the due application by either Secured Party of any such Rent pursuant to a Security Agreement, (ii) any liens thereon arising out of judgments or awards against the Lessee with respect to which at the time an appeal or proceeding for review is being diligently prosecuted in good faith and a stay of execution pending such appeal or proceeding for review has been obtained, (iii) restrictions and other minor defects, encumbrances and irregularities in the ownership of the Item which do not materially impair the use thereof or materially and adversely affect the value thereof, (iv) rights reserved to or vested in any governmental or public authority to condemn or appropriate the Item or control or regulate the Item or to use the Item in any manner, which rights do not materially impair the use of the Item or materially and adversely affect the value thereof, (v) the security interests granted by the Security Agreements to the Secured Parties, and (vi) the leasehold interest of the Lessee hereunder and the leasehold interest of the Sublessee under Sublease Agreement No. 1

and the leasehold interest of the Lessee under, and of any sublessee permitted by the terms of, Sublease No. 2.

"Rent" shall mean Interim Rent, Periodic Rent and Supplemental Rent.

"Security Agreements" shall mean the separate Security Agreements each dated as of September 30, 1982 from the Lessor, as debtor, to each Secured Party, respectively, as secured party, as either thereof may from time to time be supplemented, amended, replaced or substituted for (whether or not either thereof is replaced or substituted for by one or more Security Agreements) in accordance with their respective terms.

"Secured Party" shall mean either State of Wisconsin Investment Board or Unionmutual Stock Life Insurance Co. of America, as secured party under the Security Agreements and "Secured Parties" shall mean both State of Wisconsin Investment Board and Unionmutual Stock Life Insurance Co. of America, and in either such case their respective successors and assigns under the Security Agreements and any other from time to time holders of the Notes.

"Sublessee" shall mean Philadelphia and Reading Corporation, a New York corporation, and its successors and assigns under Sublease Agreement No. 1.

"Sublease Agreement No. 1" shall mean the Sublease Agreement No. 1 dated as of September 30, 1982 between the Lessee, as sublessor, and the Sublessee, as sublessee, as the same may from time to time be supplemented (whether by lease supplements or otherwise) or amended in accordance with its terms.

"Sublease Agreement No. 2" shall mean the Sublease Agreement No. 2 dated as of September 30, 1982 between the Sublessee, as sublessor and the Lessee, as sublessee, as the same may from time to time be supplemented (whether by lease supplements or otherwise) or amended in accordance with its terms.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Interim Rent and Periodic Rent) which the Lessee assumes or agrees to pay hereunder to the Lessor or others, including without limitation, payments of the Casualty Value and Termination Value pursuant to Section 13 hereof.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement dated as of September 30, 1982 between the Trustor and the Sublessee.

"Termination Value" of an Item of Equipment as of any Periodic Rent Payment Date shall mean the amount determined in accordance with Exhibit C hereto.

"Trust Agreement" shall mean the Trust Agreement dated as of September 30, 1982 between the Lessor, as trustees thereunder, and the Trustor, as the same may from time to time be supplemented, amended, replaced, or substituted for (whether or not replaced or substituted for by one or more Trust Agreements) in accordance with its terms.

"Trustor" shall mean American Finance Group, Inc., a Massachusetts corporation, and its successors and assigns under the Trust Agreement, including any successors or assigns under any Trust Agreement.

"Trust Estate" shall have the meaning assigned thereto in the Trust Agreement and shall include any part or portion thereof constituting a Trust Estate under any other Trust Agreement.

## SECTION 2. LEASE AND DELIVERY OF EQUIPMENT.

(a) Lease of Equipment. The Lessor hereby agrees (subject to satisfaction of the conditions set forth in the Acquisition Agreement) to accept delivery from the Lessee under the Acquisition Agreement and simultaneously to lease to the Lessee hereunder, and the Lessee hereby agrees to lease from the Lessor hereunder, the Items of Equipment which shall be delivered by the Lessee and the other Sellers under the Acquisition Agreement, as evidenced by the execution by the Lessor and the Lessee of Lease Supplements relating to such Equipment. The Lessor hereby authorizes one or more persons designated by the Lessee, who shall be an employee or employees of the Lessee, as the authorized representative or representatives of the Lessor, to accept delivery of the Items of Equipment. The Lessee hereby agrees that such acceptance of delivery of the Items of Equipment by such authorized representative or representatives on behalf of the Lessor shall, without further act, irrevocably constitute acceptance by the Lessee of the Items of Equipment for all purposes of this Lease.

(b) Lease Supplements. Promptly after delivery and acceptance of the Items of Equipment hereunder, the Lessee agrees that it will enter into a Lease Supplement or Lease Supplements with the Lessor substantially in the form attached hereto as Exhibit A, which Lease Supplement or Lease Supplements shall: (i) describe the Items of Equipment accepted hereunder, (ii) set forth the Lessor's Cost thereof, the rental rates and Periodic Rent Payment Dates relating thereto and the Lease Term thereof and (iii) shall state and represent that such Equipment is free and clear of all liens or encumbrances except Permitted Encumbrances and that the Lessee has unconditionally accepted the same for purposes of this Lease.

SECTION 3. RENT PAYMENT.

The Lessee agrees to pay the Lessor the following Rents during the Lease Term for the Equipment:

(a) Interim Rent. The Lessee hereby agrees to pay the Lessor Interim Rent for the Items of Equipment in one installment payable on the Periodic Rent Commencement Date and computed as follows:

(i) for the period from and including the date the Lessee accepts each Item of Equipment pursuant to Section 2 hereof, to but not including November 1, 1982, an amount equal to \$8,100,000 times the daily equivalent of 11.9% per annum (based on actual days over a 360-day year);

PLUS

(ii) for the period from and including November 1, 1982, to but not including the Periodic Rent Commencement Date, an amount equal to the sum of the following respective amounts of the Lessor's Cost of the Items of Equipment times, the following respective interest rates:

<u>Amount of Lessor's Cost</u>		<u>Interim Rent Rate</u>
\$1,569,603.35 (constituting 88.0163% of the Lessor's Cost of the Group A Equipment)	x	The daily equivalent of 13.875% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)
\$1,199,934.08 (constituting 87.1238% of the Lessor's Cost of the Group B Equipment)	x	The daily equivalent of 13.875% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)
\$2,069,631.71 (constituting 85.2016% of the Lessor's Cost of the Group C Equipment)	x	The daily equivalent of 14.25% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)

Amount of  
Lessor' Cost

Interim Rent Rate

\$3,359,501.07 (constituting 84.1769% of the Lessor's Cost of the Group D Equipment)	x	The daily equivalent of 14.25% per annum (computed on the basis of actual days for any partial month and 30 days for any full month)
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PLUS

(iii) for the period from and including September 30, 1982 to but not including the Periodic Rent Commencement Date, an amount equal to \$1,480,685 times the daily equivalent of 11.9% per annum (based on actual days over a 360-day year).

(b) Periodic Rent. The Lessee hereby agrees to pay the Lessor Periodic Rent for each Item of Equipment as follows:

(i) Group A Equipment. For each Group A Item of Equipment twenty-four (24) consecutive quarterly installments of Periodic Rent, twelve (12) in the amount of 4.9985% of the Lessor's Cost of such Group A Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1986, followed by twelve (12) in the amount of 6.0975% of the Lessor's Cost of such Group A Item of Equipment, payable on April 3, 1986 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1989;

(ii) Group B Equipment. For each Group B Item of Equipment thirty (30) consecutive quarterly installments of Periodic Rent, fifteen (15) in the amount of 4.3333% of the Lessor's Cost of such Group B Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including October 3, 1986, followed by fifteen (15) in the amount of 5.2968% of the Lessor's Cost of such Group B Item of Equipment, payable on January 3, 1987 and each April 3, July 3, October 3 and January 3 thereafter to and including July 3, 1990;

(iii) Group C Equipment. For each Group C Item of Equipment forty (40) consecutive quarterly installments of Periodic Rent, twenty (20) in

the amount of 3.7322% of the Lessor's Cost of such Group C Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1988, followed by twenty (20) in the amount of 4.5493% of the Lessor's Cost of such Group C Item of Equipment, payable on April 3, 1988 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1993; and

(iv) Group D Equipment. For each Group D Item of Equipment forty-eight (48) consecutive quarterly installments of Periodic Rent, twenty-four (24) in the amount of 3.4337% of the Lessor's Cost of such Group D Item of Equipment, payable on April 3, 1983 and each July 3, October 3, January 3, and April 3 thereafter to and including January 3, 1989, followed by twenty-four (24) in the amount of 4.1868% of the Lessor's Cost of such Group D Item of Equipment, payable on April 3, 1989 and each July 3, October 3, January 3 and April 3 thereafter to and including January 3, 1995.

(c) Supplemental Rent. The Lessee shall also pay to the Lessor or to whomsoever shall be entitled thereto any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of the Lessee to pay any Supplemental Rent, the Lessor shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of Interim Rent or Periodic Rent. The Lessee shall also pay to the Lessor (and, in the case of payments of Supplemental Rent payable to other persons hereunder, such other persons) on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the rate of 14.875% per annum in the case of any such payment of interest relating to any Item of Group A Equipment and Group B Equipment and 15.25% per annum in the case of any such payment of interest relating to any Item of Group C Equipment and the Group D Equipment (in every such case computed on the basis of a 360-day year of twelve 30-day months) on any part of any installment of Interim Rent or Periodic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period until the same shall be paid. The payment or satisfaction of the Lessee's obligation with respect to Interim Rent and Periodic Rent or any installment thereof shall not limit any obligation of the Lessee which may have accrued during the Lease Term with respect to Supplemental Rent.

(d) Place of Payment. All payments of Interim Rent, Periodic Rent, Casualty Value and Termination Value in respect of any Item of Equipment, and in the event a Default or an Event of Default has occurred and is continuing, Supplemental Rent payable to the Lessor or the Trustor, shall be made to the Secured Party which has been assigned the Lease Supplement relating to such Item of Equipment or after receipt by the Lessee of notice from such Secured Party of the release of the Security Agreement relating to such Item of Equipment, to the Lessor. Any payment of Supplemental Rent payable to the Lessor or the Trustor (so long as no Default or Event of Default has occurred and is continuing) and any other payment of Supplemental Rent which by the terms hereof is payable to any other person shall be paid directly to the person entitled to receive the same. Payments under this Lease shall be made to the persons entitled thereto at the address set forth in Section 24(d) hereof, or at such other address as the designated recipient thereof shall request in writing of the Lessee, by wire transfer of funds immediately available in the place of payment thereof.

(e) Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of Rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any Manufacturer or any other person, nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in the condition, design, operation or fitness for use of any Item of Equipment, or defect in or failure of title of the Lessor to any Item of Equipment or any defect in or damage to or loss or destruction of all or any part of any Item of Equipment from whatsoever cause, the taking or requisitioning of any Item of Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of any Item of Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rent payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section

13 hereof, or until return of the Equipment pursuant to Section 17 hereof.

Nothing contained in this Lease, including without limitation, this Section 3(e), shall prevent the Lessee from exercising such legal rights and remedies (other than the abatement, reduction, termination or recision of Rent payable by the Lessee hereunder), as it may have against the Lessor or anyone claiming by or through the Lessor for damages suffered by the Lessee as a result of the violation of the warranty to the Lessee of quiet enjoyment contained in Section 12 hereof, it being understood and agreed by the Lessee that any such alleged breach by any such person shall not be imputed to any other person.

#### SECTION 4. TERM OF THE LEASE.

The Lease Term of this Lease as to the Equipment shall commence concurrently with the delivery and acceptance of the Equipment hereunder and shall terminate, subject to the provisions of Section 13 hereof, on the twenty-fourth (24th) Periodic Rent Payment Date in the case of the Group A Equipment, on the thirtieth (30th) Periodic Rent Payment Date in the case of the Group B Equipment, on the fortieth (40th) Periodic Rent Payment Date in the case of the Group C Equipment and on the forty-eighth (48th) Periodic Rent Payment Date in the case of the Group D Equipment.

#### SECTION 5. TAXES AND MAINTENANCE.

(a) Taxes. The Lessee agrees to pay, and to indemnify and hold the Indemnitees harmless from, all taxes, assessments, fees and charges of any nature whatsoever, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon the Lessee or an Indemnatee or otherwise, by any Federal, state or local government or governmental subdivision in the United States or by any foreign country or subdivision thereof, upon or with respect to: any Item of Equipment or any part of any thereof; the purchase, ownership, delivery, leasing, possession, use, operation, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; or this Lease, the Acquisition Agreement, any Purchase Agreement, the Participation Agreement or the Security Agreements, any payment made pursuant to any such agreement, or the property, the income or other proceeds received with respect to any Item of Equipment (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid being hereinafter called "Taxes"); excluding, however: (i) Taxes of (A) the United States or any state or political subdivision thereof, (B) any foreign country or

subdivision thereof incurred as a result of the indemnified party being taxed by such foreign country or subdivision on its worldwide income without regard to the transactions contemplated by this Lease, and (C) any foreign country or subdivision thereof incurred as a result of the Indemnatee being taxed by such foreign country or subdivision with regard to the transactions contemplated by this Lease (but only if and to the extent that such Indemnatee obtains a credit therefor against its United States Federal income taxes), in each case, imposed on or measured solely by the net income, gross income, gross receipts or excess profits of such Indemnatee, other than Taxes arising out of or imposed in respect of the receipt of indemnification payments pursuant to this Lease; (ii) any sales or use taxes in the principal place of business of the Trustor (unless any such taxes arise as a result of the use by the Lessee of any Item of Equipment in such jurisdiction), or any Taxes imposed on or measured by any fees or compensation received by an Indemnatee; and (iii) Taxes which are imposed on or measured solely by the net income, gross income or gross receipts of an Indemnatee if and to the extent that such Taxes are in substitution for or reduce the Taxes payable by any other person which the Lessee has not agreed to pay or indemnify against pursuant to this Section 5(a).

If claim is made against any Indemnatee for any Taxes indemnified against under this Section 5(a), such Indemnatee shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnatee shall, upon receipt of any indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Taxes by (x) resisting payment thereof if possible, (y) not paying the same except under protest, if protest is necessary and proper, and (z) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. The Lessee may also contest, at its own expense, the validity, applicability or amount of such Taxes in the name of the party to be so indemnified; provided that, no proceeding or actions relating to such contest shall be commenced (nor shall any pleading, motion, brief or other paper be submitted or filed in the name of the party to be so indemnified in any such proceeding or action) without the prior written consent of such party (which consent shall not be unreasonably withheld). If the party to be so indemnified shall obtain a refund of all or any part of such Taxes previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon, such party shall, so long as no Default or Event of Default shall have occurred and be continuing, pay the Lessee the amount of such refund or interest net of expenses not previously paid or reimbursed by the Lessee.

(b) Documentary Taxes and Recording Fees. The Lessee agrees to pay all stamp or documentary taxes and recording fees,

Federal, state, county, city, municipal or otherwise, levied or assessed or otherwise payable on, or with respect to the recording of, this transaction, the Lease, any Lease Supplement, the Participation Agreement or the Security Agreements, or any amendment or supplement thereto, or any document whatsoever to which the Lessee is a party which creates or transfers an interest in any Item of Equipment.

(c) Survival of Certain Obligations. Each of the obligations and liabilities of the Lessee under Section 5(a) arising from events occurring during the Lease Term shall continue in full force and effect notwithstanding any termination of this Lease whether by expiration of time, by operation of law or otherwise unless and until expressly released by the party to which such obligation or liability is owing.

## SECTION 6. INDEMNITY.

(a) Scope. The Lessee hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless each Indemnitee from and against, any and all losses, damages, injuries, claims, demands and all expenses, legal or otherwise (including court costs and attorneys' fees reasonably incurred), of whatsoever kind and nature (including claims for strict or absolute liability in tort) arising on account of the ownership, use (including infringements of patents by reason of the use or incorporation of any invention in any Item of Equipment), condition (including, without limitation, latent and other defects and whether or not discoverable by the Lessor or the Lessee) or operation of the Equipment, and by whosoever used or operated, during the purchase, delivery, installation, ownership, leasing or disposition of the Equipment and in any event throughout the continuance of this Lease. The Lessee shall not, however, be required to pay or discharge any claim or demand referred to in this Section 6(a) so long as the validity or the amount thereof shall be contested in good faith and by appropriate legal proceedings in any reasonable manner which will not result in the forfeiture or sale of any Item of Equipment or any part or portion of any thereof or adversely affect the Lessor's title thereto or either Secured Party's security interest therein or interfere with the due payment by the Lessee as provided herein of any Rent hereunder. Each Indemnitee shall give the Lessee prompt notice of any claim or liability hereby indemnified against, and the Lessee shall be entitled to control the defense thereof.

(b) Duration. The indemnities and assumptions of liabilities in Section 6(a) contained shall continue in full force and effect notwithstanding the termination of this Lease, in whole or in part, whether by expiration of time or otherwise, as to any act or omission, relating to the ownership, use, condition or operation (as such terms are used in Section 6(a)), of the Equipment, occurring during the continuance of this Lease

which at any time is claimed to have created a cause of action against any of the Indemnitees, provided, however, the indemnity and assumption of liability against any claims for patent infringements shall continue in full force and effect after the Lease Term throughout the life of the Equipment except as to any alterations or modifications to any Item of Equipment following the disposition thereof by the Lessee. The indemnities and assumptions of liabilities set forth in this Section 6 do not guarantee the payment of the principal of or interest on the Notes or a residual value in any Item of Equipment.

(c) Enforceability. The indemnities contained in this Section 6 are expressly made for the benefit of and shall be enforceable by each Indemnatee. Upon payment in full of the amount required to be paid to any Indemnatee pursuant to this Section 6, the Lessee shall be subrogated to any rights of such Indemnatee in respect of the matter against which the indemnity has been given.

## SECTION 7. INSURANCE.

(a) Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured against loss on an "all risk" basis, (i) in an amount which shall be customary for companies owning property of a character similar to the Equipment and engaged in a business similar to that engaged in by the Lessee and not less than (ii) an amount equal to the Casualty Value for such Item of Equipment. Such "all risk" insurance may be subject to deductible or self-insurance provisions in such amounts and to the extent that such deductibles or self-insurance are consistent with prudent industry practice, but in any event with no greater deductible and in at least comparable amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Equipment, provided it is expressly understood and agreed that any loss, cost or expense arising out of use of deductible provisions shall be exclusively the cost and expense of the Lessee. The Lessee shall also maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$10,000,000 per occurrence combined single limit, subject to deductible or self-insurance provisions in such amounts as are consistent with prudent industry practice, but in any event with no greater deductible and at least comparable in amounts and against risks customarily insured against by the Lessee in respect of equipment owned or leased by it similar in nature to the Equipment, provided it is expressly understood and agreed that any loss, cost or expense arising out of the use of deductible provisions shall be exclusively the cost and expense of the Lessee.

(b) General Provisions. All insurance carried in accordance with this Section 7 shall be placed with insurers of recognized reputation and responsibility. Any policies carried in accordance with this Section 7 covering the Equipment and any policies taken out in substitution or replacement for any such policies: (i) shall name the Lessee as insured and shall name the Trustor, Lessor, as owner of the Equipment, and the Secured Parties, as additional insureds as their interests may appear; (ii) shall be made payable, in the case of policies covering loss or damage to the Equipment, to the Secured Parties, as their interests may appear under a lender's loss payable clause in form and substance acceptable to the Secured Parties, except that such policies may provide that payment for any loss or damage not exceeding \$150,000 in the aggregate per occurrence may be paid solely to the Lessee, provided no Default or Event of Default has occurred and is continuing; (iii) shall provide that if such insurance is cancelled or materially changed for any reason whatever, or the same is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Trustor, the Lessor or the Secured Parties for thirty (30) days after receipt by the Trustor, the Lessor and the Secured Parties of written notice by such insurers of such cancellation or lapse or of any material change in policy terms and conditions; (iv) shall provide that losses shall be adjusted with the Lessee, subject to the approval of the Lessor and the Secured Parties (except for losses which are less than \$150,000, which may be adjusted by the Lessee without the approval of the Lessor and the Secured Parties); and (v) shall provide that in respect of the interest of the Trustor, the Lessor and the Secured Parties in such policies the insurance shall not be invalidated by any action or inaction of the Lessee or any other person (other than of the Trustor, the Lessor or either Secured Party, as the case may be, and then only as against such person) and shall insure the Trustor, the Lessor and the Secured Parties regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by the Lessee or any other person (other than by the Trustor, the Lessor or either Secured Party, as the case may be, and then only as against such person).

(c) Application of Proceeds. The proceeds of any insurance received by the Lessor or either Secured Party on account of or for any loss or casualty in respect of any Item of Equipment shall be applied as follows: (i) if such Item of Equipment has been repaired, restored or replaced, such proceeds shall be paid to the Lessee upon a written application signed by any authorized officer of the Lessee for the payment of, or to reimburse the Lessee for the payment of, the cost of repairing, restoring or replacing such Item of Equipment so long as the restoration, replacement and repair parts become immediately subject to all of the terms and conditions of this Lease and all public filings, recordings and registrations necessary or expedient to vest title thereto in the Lessor and to perfect the security interest

of such Secured Party in the Equipment are accomplished by the Lessee at its expense (which application shall be accompanied by satisfactory evidence of such cost and of the completion of such repair, restoration or replacement), or (ii) if this Lease is terminated with respect to such Item of Equipment as a result of a Casualty Occurrence, such proceeds shall be applied in accordance with Section 13; provided that, if the Lessee is at the time of the application in default in the payment of any other liability of the Lessee to the Lessor or such Secured Party hereunder, such proceeds shall be applied against such liability.

(d) Reports, etc. On the date of delivery and acceptance of the Equipment hereunder and on each anniversary date thereof, the Lessee will furnish to the Lessor and the Secured Parties a certificate from the Lessee's insurance broker describing in reasonable detail the insurance then carried and maintained on the Equipment and evidencing that such insurance complies with the terms hereof. The Lessee will advise the Trustor, the Lessor and the Secured Parties in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Lessee which might invalidate or render unenforceable, in whole or in part, any insurance on any Item of Equipment.

#### SECTION 8. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, in the case of Group C and Group D Equipment the Rules of the United States Department of Transportation, the Interstate Commerce Commission and the Interchange Rules to the extent applicable) with respect to the use and maintenance of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be altered, added, replaced or modified on any Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such alterations, additions, replacements and/or modifications at its own expense and title thereto shall be immediately vested in the Lessor. The Lessee shall not use or permit any Item of Equipment to be used in an improper or unsafe manner or in violation of any federal, state or local law, statute, ordinance, rule or regulation. The Lessee may, at its expense, in good faith contest the validity or application of any such law, statute, ordinance, rule or regulation in good faith by appropriate proceedings which do not adversely affect the Lessor's title to any Item of Equipment or either Secured Party's security interest therein or subject the Equipment to forfeiture or sale.

#### SECTION 9. USE AND MAINTENANCE OF EQUIPMENT.

(a) Use and Maintenance. The Lessee shall use the Equipment only in the manner for which it was designed and

intended and so as to subject it only to ordinary wear and tear. So long as the Equipment shall be leased hereunder and until the Equipment is returned to the Lessor in accordance with the provisions of Section 17 hereof, the Lessee shall, at its own cost and expense, maintain and keep the Equipment in the same manner as the Lessee maintains equipment of the same type owned by the Lessee so as to insure that the Equipment is in good order, condition and repair, ordinary wear and tear excepted, and, in the case of Group D Equipment, suitable for use in interchange in accordance with the Interchange Rules. Except as required by the provisions of Section 8 hereof, the Lessee shall not modify any Item of Equipment without the prior written authority and approval of the Lessor and the Secured Party having an interest in such Item, which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment pursuant to Section 8 hereof or pursuant to its obligation to maintain and keep the Equipment in good order, condition and repair under this Section 8 shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor without cost or expense to the Lessor. The Lessee shall make no other additions or improvements to any Item of Equipment unless the same are readily removable without causing material damage to such Item of Equipment. Title to any such readily removable additions or improvements shall remain with the Lessee. If the Lessee shall at its cost cause such readily removable additions or improvements to be made to any Item of Equipment, the Lessee agrees that it will, prior to the return of such Item of Equipment to the Lessor hereunder, remove the same at its own expense without causing material damage to such Item of Equipment.

(b) Location of Equipment. The location of the Group A, Group B and Group C Equipment shall be as set forth in the Lease Supplement relating thereto and the Lessee shall not remove any such Item from such location without providing the Lessor and the Secured Party having an interest in such Item with written notice thereof no less than forty-five (45) days prior to such removal and filing or recording all instruments and documents then deemed necessary by the Lessor and such Secured Party to preserve and protect their rights hereunder to the satisfaction of the Lessor and such Secured Party. The Lessee agrees that the Group D Equipment will be used solely within the continental limits of the United States of America.

#### SECTION 10. LIENS.

The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, title thereto or any interest therein except Permitted Encumbrances.

## SECTION 11. OWNERSHIP AND MARKING.

(a) Ownership. The Lessee acknowledges and agrees that it has not, and by the execution hereof, it does not and will not have or obtain, any title to the Equipment, nor any property right or interest, legal or equitable, therein, except solely as the Lessee hereunder and subject to all the terms hereof.

(b) Identification. The Lessee will, at its own expense and if the Lessor or the Secured Party having an interest in an Item of Equipment shall request in writing, use its best efforts to cause such Item of Equipment to be legibly and permanently marked, in a reasonably prominent location, with a plate or other marking which plate or other marking shall set forth the following legend:

"Leased from a Trust, as Owner, and Subject  
to a Recorded Security Interest."

with appropriate changes thereof and additions thereto as from time to time may be reasonably requested in writing by the Lessor or such Secured Party or may be required by law in order to protect the title of the Lessor to such Item of Equipment, or such Secured Party's security interest therein and the rights of the Lessor and such Secured Party under this Lease. The Lessee agrees to permanently mark each Item of Equipment which is not identified by a Manufacturer's serial number with the lessee identification number relating to such Item set forth in the Lease Supplement relating to such Item. The Lessee shall not remove or deface, or permit to be removed or defaced, either the identifying manufacturer's serial number of any Item of Equipment or any such plate or other marking or identifying number so placed on any Item of Equipment. In the event of such removal or defacement, the Lessee shall promptly cause such manufacturer's serial number or such plate or other marking or identifying number to be replaced. With respect to the Group D Equipment, the Lessee will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been delivered to the Lessor and the Secured Party having an interest in such Equipment by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

(c) Prohibition Against Certain Designations. Except as above provided, the Lessee will not be required to place any insignia, plates or other identification evidencing the Lessor's interest on any Item of Equipment and will not allow the name of any person, association or corporation to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee, the Sublessee or any sublessee permitted by the terms of Sublease No. 2 may cause the Equipment to be lettered in any appropriate

manner for convenience of identification of the Lessee, the Sublessee or any such permitted sublessee, as the case may be, as the operator thereof.

(d) Indemnity. The Lessee shall indemnify the Lessor and the Secured Parties against any liability, loss or expense incurred by any of them as a result of the marking of the Equipment with such Lessee name, initials or insignia.

## SECTION 12. DISCLAIMER OF WARRANTIES.

THE LESSEE ACKNOWLEDGES AND AGREES THAT (i) EACH ITEM OF EQUIPMENT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (ii) THE LESSEE IS SATISFIED THAT EACH ITEM OF EQUIPMENT IS SUITABLE FOR ITS PURPOSES, (iii) THE LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND, (iv) EACH ITEM OF EQUIPMENT IS LEASED HEREUNDER SUBJECT TO ALL APPLICABLE LAWS AND GOVERNMENTAL REGULATIONS NOW IN EFFECT OR HEREAFTER ADOPTED AND IN THE STATE AND CONDITION OF EVERY PART THEREOF WHEN THE SAME FIRST BECAME SUBJECT TO THIS LEASE, WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE LESSOR, AND (v) AS BETWEEN THE LESSOR AND THE LESSEE, THE LESSOR LEASES EACH ITEM OF EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE CONDITION, FITNESS, DESIGN, OPERATION OR MERCHANTABILITY OF THE EQUIPMENT, (B) THE LESSOR'S TITLE THERETO (OTHER THAN AS SET FORTH IN THE IMMEDIATELY SUCCEEDING SENTENCE), OR (C) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor does warrant, however, that as at the date of delivery and acceptance of the Equipment hereunder it will have whatever quality of title to the Equipment which it obtained from the seller thereof, subject to this Lease and any liens or encumbrances permitted hereby or which the Lessee is obligated to discharge or satisfy. Without limiting the foregoing the Lessor further warrants and agrees that neither it nor anyone claiming by or through the Lessor will wrongfully interfere with the Lessee's quiet enjoyment of the Equipment provided that the Lessee is otherwise in compliance with the terms of this Lease.

The Lessee agrees to warrant and defend the right, title and interest of the Lessor to the Equipment, against the rights or claims of any person arising on or after acceptance of the Equipment by the Lessee hereunder other than liens permitted by Section 10 hereof. The Lessor agrees, so long as no Event of Default has occurred and is continuing, that the Lessee shall have the benefit of and be entitled to enforce, either in its own name or in a name of the Lessor for the use and benefit of the Lessee, any and all warranties (whether expressed or implied) and obligations of the Manufacturers in respect of the Equipment and the Lessor agrees to execute and deliver such further instruments as may be necessary to enable the Lessee to obtain service

furnished for the Equipment by any Manufacturer. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any Manufacturer or other suppliers of components incorporated therein; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights.

SECTION 13. CASUALTY OCCURRENCES; PAYMENT FOR UNSERVICEABLE EQUIPMENT.

(a) Casualty Occurrence. In the event that any Item of Equipment shall suffer a Casualty Occurrence, the Lessee shall promptly (after it has knowledge of such Casualty Occurrence) and fully inform the Lessor and the Secured Party having an interest in such Item in regard thereto. The Lessee shall terminate this Lease with respect to such Item by paying the Lessor or party then entitled to receive such payment, (i) if the Casualty Occurrence occurs prior to the Periodic Rent Commencement Date, on the Periodic Rent Commencement Date, or (ii) if the Casualty Occurrence occurs on or subsequent to the Periodic Rent Commencement Date, on the due date of the next installment of Periodic Rent for which a Casualty Value is shown, an amount equal to the Casualty Value of such Item computed as of the date of such payment (together with the installment of Interim Rent or Periodic Rent, if any, then due in respect of such Item). Upon (and not until) payment of such Casualty Value and such installment of Interim Rent or Periodic Rent, the Lease shall terminate with respect to such Item and no further Periodic Rent shall be payable for or in respect of such Item and all remaining right, title and interest of the Lessor, if any, in and to such Item shall vest in the Lessee, but the Lessee shall continue to pay Rent for all other Items of Equipment.

(b) Application of Proceeds. The Lessor shall be entitled to receive any proceeds (and the Lessee shall promptly pay over to the Lessor or party then entitled to receive such payment any proceeds received by the Lessee) of any claims for damage, insurance or award received on account of a Casualty Occurrence with respect to an Item of Equipment; provided that unless a Default or an Event of Default shall have occurred and be continuing, the Lessee shall be entitled to credit for the amount of such proceeds so received by the Lessor against the Lessee's obligation to pay the Casualty Value for such Item, and following the payment of the Casualty Value in respect of such Item, the Lessee may retain (and the Lessor shall promptly pay over to the Lessee any such proceeds received by it and for which no credit against the Lessee's obligation to

pay such Casualty Value has been utilized) any such proceeds exceeding any amounts of such Casualty Value.

(c) Application of Payments from Governmental Authorities for Requisition of Title. Any payments received at any time by the Lessor, either Secured Party or by the Lessee from any governmental authority or instrumentality or agency thereof with respect to a Casualty Occurrence resulting from the condemnation, confiscation or seizure of, or requisition of title to or use of an Item of Equipment will be applied as follows: so much of such payments as shall not exceed the Casualty Value required to be paid by the Lessee pursuant to Section 13(a) hereof shall be applied in reduction of the Lessee's obligation to pay such Casualty Value, if not already paid by the Lessee, or, if already paid by the Lessee and no Default or Event of Default exists, shall be applied to reimburse the Lessee for its payment of such Casualty Value, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by the Lessor.

(d) Requisition for Use by a Governmental Authority for Less than One Year. In case the use of an Item of Equipment (but not the title thereto) shall be requisitioned, condemned, confiscated or seized by any governmental authority for a period which does not extend beyond one year, this Lease and all obligations of the Lessee (including the obligation to pay Rent in respect of such Item) with respect to such Item shall continue throughout such period, and if no Default or Event of Default shall have occurred and be continuing the Lessee shall be entitled to receive any compensation paid for or based upon such use; provided, however, that nothing herein contained shall limit the obligations of the Lessee with respect to the condition in which such Item is to be returned to the Lessor. All payments received by the Lessor or the Lessee from any governmental authority for the use of such Item after any such one year period or after the Lease Term of such Item shall (provided no Default or Event of Default has occurred and is continuing) be paid over to, or retained by, the Lessee. A requisition or taking for an indefinite period of time shall not be deemed to exceed one year unless and until the period of such requisition or taking does in fact exceed one year.

(e) Obsolescence. If, on and after the twenty-first (21st) Periodic Rent Payment Date, any Item of Equipment is, in the good faith opinion of the President of the Lessee, economically unfit, technically obsolete or unsuitable for continued use by the Lessee, or surplus to the needs of the Lessee, in the Lessee's business, the Lessee may, if no Default or Event of Default has occurred and is continuing, give written notice to the Lessor and to the Secured Party having an interest in such Item of Equipment (which written notice shall be accompanied by a certificate of the President of the Lessee evidencing such determination of unfitness, obsolescence or unsuitability) of the termination of this Lease with respect to such Item on any Periodic Rent Payment Date occurring

not less than 90 days after the giving of such notice. For the purposes of this Section 13(e), interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sales contracts, leases or other arrangements for deferred payment of the purchase price, shall be disregarded in the determination of economic fitness. During the period from the giving of such written notice until the termination date specified therein, the Lessee, as agent for the Lessor, shall obtain written bids for both the purchase and the re-lease of such Item and the Lessee shall certify to the Lessor and the Secured Party having an interest in such Item in writing the amount and terms of such bids and the names and addresses of the parties submitting such bids. In the case of any such bid which contemplates the re-lease of such Item, the Secured Party having an interest in such Item may in its sole discretion reject such bid or may accept such bid upon such terms and conditions as it may in its sole discretion deem appropriate. The Lessee shall have the option of purchasing or re-leasing such Item upon the terms and conditions set forth in the highest bid contemplating a purchase or re-lease, as the case may be, submitted by a party not affiliated with the Lessee. If, but only if, the Lessor, the Secured Party having an interest in such Item and the Lessee agree to a re-lease of such Item, then and in such event the Lessee shall on such termination date pay the Re-lease Value (as hereinafter defined) for such Item computed as of such termination date (together with the installment of Periodic Rent then due in respect of such Item) to such Secured Party and on such termination date the Lessor shall pay to the Lessee the Proceeds of such Item (as hereinafter defined). The Re-lease Value of an Item of Equipment as of any termination date shall mean the amount determined in accordance with the Lease Supplement covering such Item. The Proceeds of an Item of Equipment shall mean the present value of all future rents under the terms of a re-lease of such Item of Equipment as herein contemplated discounted as of such termination date, such present value to be computed on the basis of the lowest rate per annum to be paid in respect of any securities to be issued by the Lessor in connection with any such re-lease from the respective dates upon which such future rents under such re-lease would be paid. The Lessor and the Lessee understand and agree that such Secured Party shall have no obligation with respect to the payment of the Proceeds of any Item of Equipment.

If an Item of Equipment is to be sold and the Lessee is to pay the Termination Value thereof (whether because the Secured Party having an interest in such Item has in its sole discretion rejected the terms of any re-lease thereof or otherwise), then on or before such termination date the Lessor shall sell such Item "as-is, where-is", without representation or warranty, express or implied, for cash to the bidder which shall have submitted the highest bid prior to such date, whether or not such bidder has been furnished by the Lessor or the Lessee, or to the Lessee, if the Lessee so elects as herein contemplated. The total selling price realized at such sale shall be retained

by the Lessor and, in addition, on such termination date, the Lessee shall pay to the Lessor all Rents in respect of such Item due and unpaid on or before such termination date together with the excess, if any, of (a) the Termination Value for such Item computed as of such termination date (together with the installment of Periodic Rent then due in respect of such Item), over (b) the sale price of such Item after deducting the expenses incurred by the Lessor in connection with such sale. If the bids for the purchase or re-lease of such Item are unsatisfactory to the Lessee or if, for any other reason, no sale or re-lease shall have occurred on or as of such termination date, the Lessor shall redeliver such Item to the Lessee and this Lease shall continue in full force and effect. The Lessor may bid on and purchase any such Item or obtain bids with respect thereto, but shall be under no duty to solicit bids, inquire into the efforts of the Lessee to obtain bids or otherwise take any action in connection with arranging such sale other than to transfer to the purchaser named in the highest bid certified by the Lessee to the Lessor, the Lessor's interest in such Item, against receipt of the payments provided for herein. Upon payment of such Termination Value of such Item and such installment of Periodic Rent, the Lease with respect to such Item shall terminate and no further Periodic Rent shall be payable for or in respect of such Item.

#### SECTION 14. ASSIGNMENT BY LESSOR.

(a) Right to Assign; Limitation. The Lessor may assign this Lease and/or the Interim Rent and Periodic Rent at any time due and to become due, or at any time owing or payable, by the Lessee to the Lessor under any of the provisions of this Lease. Any assignment by the Lessor of the ownership interest in and to this Lease shall be in accordance with the terms and conditions of Section 7 of the Participation Agreement and the Letter Agreement dated September 30, 1982 between the Trustor and the Sublessee. Any assignment for collateral purposes shall be to either or both of the Secured Parties and may be in respect of either (i) this Lease and/or the Interim Rent and Periodic Rent due and to become due in respect of all of the Equipment at any time or from time to time leased hereunder, or (ii) this Lease and/or the Interim Rent and Periodic Rent due and to become due in respect of all, but not less than all, of the Equipment described in any one or more of the Lease Supplements and shall by its terms provide that any such Interim Rent and Periodic Rent shall be payable to either or both of the Secured Parties. Upon any such assignment, the Lessor shall give written notice to the Lessee stating the name and post office address of any such assignee and all rents and other sums payable by the Lessee which are the subject matter of such assignment shall be paid to such assignee. In the event that separate assignments are executed by the Lessor, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect, this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the

leasing of Equipment covered by each such separate assignment, and each assignee shall be entitled to exercise all of the rights and remedies of the Lessor in respect of the Equipment covered by the separate assignment to such assignee, all to the same extent and with the same force and effect as though a separate Lease had been entered into by the Lessee and the Lessor in respect of such Equipment.

(b) No Obligations of Secured Parties, Etc. The Secured Parties shall not be obligated to perform any duty, covenant or condition required to be performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof acknowledges and agrees that notwithstanding any such assignment each and all such duties, covenants and conditions required to be performed by the Lessor shall survive any such assignment and shall be and remain the sole liability of the Lessor and of every person, firm or corporation succeeding (by merger, consolidation, purchase of assets or otherwise) to all or substantially all of the business assets or goodwill of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that the rights of any assignee pursuant to Section 14(a) hereof to Rent due it hereunder shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment or reduction of any kind for any reason whatsoever whether by reason of failure of or defect in the Lessor's title or any interruption from whatsoever cause in the use, operation or possession of the Equipment or any part thereof or any damage to or loss or destruction of any Item of Equipment or any part of any thereof or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the Rent subject only to the provisions of Section 3(d) hereof.

Nothing contained in this Lease, including without limitation, this Section 14(b), shall prevent the Lessee from exercising such legal rights and remedies (other than the abatement, reduction, termination or rescission of Rent payable by the Lessee hereunder) as it may have against the Lessor or anyone claiming by or through the Lessor for damages suffered by the Lessee as a result of the violation of the warranty to the Lessee of quiet enjoyment contained in Section 12 hereof, it being understood and agreed by the Lessee that any such alleged breach by any person shall not be imputed to any other person.

(c) Certain Rights of Assignees. Unless and until the Lessee shall have received written notice from each assignee pursuant to Section 14(a) hereof that its interest has been released (i) no amendment or modification of, or waiver by or consent of the Lessor in respect of, any of the provisions of

this Lease shall be effective unless each such assignee whose rights may be affected thereby shall have joined in such amendment, modification, waiver or consent or shall have given its prior written consent thereto, and (ii) except as otherwise provided in the Security Agreement entered into by such assignee such assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of such assignee) provided for in this Lease including without limitation Section 16(b) hereof.

SECTION 15. SUBLEASE AND ASSIGNMENT BY LESSEE.

It is understood and agreed that simultaneously with the execution and delivery of this Lease, the Lessee shall sublease all, but not less than all, of the Equipment to the Sublessee pursuant to Sublease Agreement No. 1. The sublease of the Equipment by the Lessee pursuant to Sublease Agreement No. 1 shall not relieve the Lessee of any of its obligations, liabilities or duties hereunder, which shall be and remain those of a principal and not a guarantor. It is further understood and agreed that the Sublessee shall sublease all, but not less than all, of the Equipment to the Lessee (or one of its affiliates) pursuant to Sublease Agreement No. 2, provided that the sublease of the Equipment by the Sublessee, as sublessor, pursuant to Sublease Agreement No. 2 shall not relieve the Sublessee of any of its obligations, liabilities or duties under Sublease Agreement No. 1, which shall be and remain that of a principal and not a guarantor. It is understood and agreed that the Lessee, as sublessee under Sublease Agreement No. 2, shall have the right to sublease all or any part of the Equipment if all of the following conditions shall be satisfied: (a) all such subleases shall be subject and subordinate to the terms and conditions of this Lease, Sublease Agreement No. 1 and Sublease Agreement No. 2, (b) the Lessee (or one of its affiliates), as sublessee under Sublease Agreement No. 2, shall remain directly and primarily liable for the performance of its obligations under Sublease Agreement No. 2 which obligations shall remain those of a principal and not of a guarantor, (c) the rights of such sublessees shall be expressly made subject and subordinate to the rights of the Lessor and the Secured Parties hereunder, the rights of the Lessee as sublessor under Sublease Agreement No. 1 and the rights of the Sublessee, as sublessor under Sublease Agreement No. 2 and (d) either such sublessee is affiliated with the Sublessee or the Lessor and the Secured Party having any interest in the Equipment to be sublet shall have given their respective prior written consent to any such sublease, which consent shall not be unreasonably withheld.

So long as no Default or Event of Default has occurred and is continuing, the Lessee may receive and retain for its own account such compensation for any permitted assignment or subletting

of the Group D Equipment and/or for use of the Group D Equipment by others as the Lessee may determine. Without limiting the foregoing, it is contemplated that the Lessee shall collect and retain for its own account all mileage allowances, rentals and/or other compensation (hereinafter referred to as "Mileage") payable by carriers by reason of the use, ownership or operation of the Group D Equipment, and if for any reason the Lessor shall receive any Mileage then, unless a Default or Event of Default shall have occurred and be continuing, the Lessor shall promptly remit without interest said Mileage to the Lessee after the Lessee shall have furnished to the Lessor an opinion, ruling or other evidence reasonably satisfactory to the Lessor's legal counsel to the effect that the Lessor may remit all or any portion of said Mileage to the Lessee without violation of the provisions of 49 U.S.C. Section 11902, or any other applicable law or regulation. The obligation of the Lessor under the next preceding sentence shall survive termination of this Lease.

#### SECTION 16. DEFAULTS.

(a) Events of Default. The following events (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) shall constitute "Events of Default":

(i) The Lessee shall default in the payment to a person entitled to receive payment under Section 3(d) hereof of any installment of Interim Rent or Periodic Rent or of any payment of Casualty Value or Termination Value pursuant to Section 13 hereof; provided that any such failure shall not constitute an Event of Default hereunder if (y) payment is made within five days after notice from the Lessor or either Secured Party and (z) any such failure does not in aggregate amount constitute the third such failure or the second consecutive such failure to pay pursuant to this Section 16(a)(i); or

(ii) The Lessee shall default in the payment to a person entitled to receive the payment under Section 3(d) hereof of any Supplemental Rent (other than any payment of Casualty Value or Termination Value) and such default shall continue for a period of ten days after written notice thereof from the Lessor or either Secured Party to the Lessee; or

(iii) The Lessee shall default in the observance or performance of any other covenant required to be observed or performed by the Lessee hereunder and such default shall continue for thirty (30) days following

(x) the earlier of written notice thereof from the Lessor, the Trustor or either Secured Party to the Lessee and (y) the date on which a "responsible officer" of the Lessee (as hereinafter defined) shall have actual knowledge thereof; or

(iv) Any representation or warranty made by the Lessee herein or by the Lessee in any statement or certificate furnished to the Lessor or either Secured Party pursuant to or in connection with this Lease, the Acquisition Agreement, the Participation Agreement or the Security Agreements proves untrue in any material respect as of the date of issuance or making thereof; or

(v) An Event of Default (as defined in Sublease Agreement No. 1) shall have occurred and be continuing under Sublease Agreement No. 1; or

(vi) The Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(vii) Bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against the Lessee; or the Lessee shall permit or there shall occur any involuntary transfer of its interest hereunder or of all or substantially all of the Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise; unless in every such case such proceedings (if instituted against the Lessee) shall be dismissed or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective.

(b) Remedies. When any Event of Default has occurred and is continuing, the Lessor or in the event this Lease has been assigned to the Secured Parties pursuant to Section 14 hereof, either Secured Party (to the extent of the interest assigned to it) may at its option declare in writing to the Lessee, this Lease to be in default and at any time after such declaration, the Lessor or either Secured Party (to the extent of the interest assigned to it) as the case may be, may exercise any one or more of the following remedies as the Lessor or either Secured Party, as the case may be, in its sole discretion shall elect, to the extent permitted by and subject to compliance with any mandatory requirements of applicable law then in effect.

(i) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants and terms of this Lease or to recover damages for the breach thereof;

(ii) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and the Lessor or either Secured Party, as the case may be, may demand that the Lessee, and the Lessee shall upon the written demand of the Lessor or either Secured Party, as the case may be, return the Equipment which is the subject of such demand promptly to the Lessor or such Secured Party, as the case may be, in the manner and condition required by, and otherwise in accordance with all of the provisions of, Section 17 hereof as if such Equipment were being returned at the end of the Lease Term, except that the Lessee will provide free storage for such Equipment upon the terms set forth in Section 17 (except that the storage period with respect to such Equipment shall be for 180 days after the Lessor or such Secured Party, as the case may be, shall have so declared this Lease to be in default (with respect to such Equipment) and shall bear the entire expense and risk of such storage and preparation of such Equipment for shipment and the delivery of such Equipment to the location provided in Section 17; or the Lessor or such Secured Party, as the case may be, at its option, may in a commercially reasonable manner enter upon the premises where such Equipment or any part thereof is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability to the Lessor or such Secured Party, as the case may be, for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise;

(iii) The Lessor or either Secured Party, as the case may be, may sell any Item of Equipment at public or private sale, as the Lessor or such Secured Party, as the case may be, may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (vi) below if the Lessor or such Secured Party, as the case may be, elects to exercise its rights under said paragraph), in which event the Lessee's obligation to pay Periodic Rent with respect

to such Item hereunder on Periodic Rent Payment Dates subsequent to the date of such sale shall terminate (except to the extent that Periodic Rent is to be included in computations under paragraph (v) or (vi) below if the Lessor or such Secured Party, as the case may be, elects to exercise its rights under either of said paragraphs);

(iv) The Lessor or either Secured Party, as the case may be, may hold, keep idle or lease to others any Item of Equipment or any part thereof, as the Lessor or such Secured Party, as the case may be, in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect thereto, except that the Lessee's obligation to pay Periodic Rent with respect to such Item on Periodic Rent Payment Dates subsequent to the date upon which the Lessee shall have been deprived of use of such Item pursuant to this Section 16 shall be reduced by the net proceeds, if any, received by the Lessor or such Secured Party, as the case may be, from leasing such Item to any person other than the Lessee;

(v) Whether or not the Lessor or either Secured Party, as the case may be, shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (i), (ii), (iii) or (iv) above with respect to any Item of Equipment, the Lessor or either Secured Party, as the case may be, by written notice to the Lessee specifying a payment date which shall be not earlier than ten days after the date of such notice, may demand that the Lessee pay to the Lessor or such Secured Party, as the case may be, and the Lessee shall pay to the Lessor or such Secured Party, as the case may be, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Rent for such Item of Equipment due after the payment date specified in such notice), any unpaid Periodic Rent for such Item of Equipment due for periods prior to the payment date specified in such notice plus whichever of the following amounts the Lessor or such Secured Party, as the case may be, in its sole discretion, shall specify in such notice: (i) an amount equal to the excess, if any, of the Casualty Value for such Item computed as of the Periodic Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, over the present value of the fair market

rental value (determined as hereafter in this Section 16 provided) of such Item for the remainder of the Lease Term or renewal term, as the case may be, as of the payment date specified in such notice, such present value to be computed on the basis of an 8% per annum rate of discount from the respective dates upon which such rent would be paid, or (ii) an amount equal to the excess, if any, of the Casualty Value for such Item as of the Periodic Rent Payment Date next preceding the payment date specified in such notice or if such payment date occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, over the fair market sales value of such Item (determined as hereafter in this Section 16 provided) as of the payment date specified in such notice;

(vi) If the Lessor or either Secured Party, as the case may be, shall have sold any Item of Equipment pursuant to paragraph (iii) above, the Lessor or such Secured Party, as the case may be, in lieu of exercising its rights under paragraph (v) above with respect to such Item may, if it shall so elect, demand that the Lessee pay to the Lessor or such Secured Party, as the case may be, and the Lessee shall pay to the Lessor or such Secured Party, as the case may be, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Periodic Rent for such Item due on Periodic Rent Payment Dates subsequent to the Periodic Rent Payment Date next preceding such sale), any unpaid Periodic Rent for such Item due for periods up to and including the Periodic Rent Payment Date next preceding the date such sale occurs plus the amount, if any, by which the Casualty Value of such Item computed as of the Periodic Rent Payment Date next preceding the date of such sale or if such sale occurs on a Periodic Rent Payment Date, then computed as of such Periodic Rent Payment Date, exceeds the net proceeds of such sale.

For purposes of this Section 16, Periodic Rent or Casualty Value with respect to any Item of Equipment shall be computed based on the Lessor's Cost of such Item.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of the Equipment, or any part thereof in accordance with Section 17 hereof or in placing the Equipment in the condition required by said Section 17.

For the purposes of this Section 16, "fair market rental value" and "fair market sales value" shall be determined on the basis of an appraisal of an independent appraiser chosen by the Lessor or either Secured Party, as the case may be, and the cost of any such appraisal shall be borne by the Lessee. For purposes of this Section 16 a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of this Lessee any corporate officer of the Lessee who in the normal performance of his operational responsibilities would have knowledge of such matter and the requirements of this Lease with respect thereto.

(c) Remedies Cumulative. Except as otherwise expressly provided above, no remedy referred to in this Section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor or the Secured Parties, as the case may be, at law or in equity; and the exercise or beginning of exercise by the Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Lessor or either Secured Party, as the case may be, of any or all of such other remedies. No express or implied waiver by the Lessor or either Secured Party, as the case may be, of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, the Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Lessor or either Secured Party, as the case may be, to sell, lease or otherwise use the Equipment or any part thereof in mitigation of the Lessor's or either Secured Party's damages as set forth in this Section 16 or which may otherwise limit or modify any of the Lessor's or either Secured Party's rights and remedies in this Section 16.

#### SECTION 17. RETURN OF EQUIPMENT.

(a) Return. Upon the expiration of the term of this Lease with respect to any Item or Items of Equipment, the Lessee will, at its own cost and expense have the following obligations with respect to the return thereof:

(i) Group A and Group B Equipment. At the request of the Lessor, the Lessee will deliver possession of such Item of Equipment to the Lessor at such storage area as the Lessor may reasonably designate (the distance of which from the Lessee's manufacturing facility in Morris County, Texas shall not exceed the distance between such facility and Dallas, Texas), or in the absence of any designation of a storage location, in such location as the Lessee may reasonably select, and arrange for the Lessor to store such Item of Equipment at such

storage area without charge for insurance, rent or storage, for a period not exceeding thirty (30) days. At the end of such thirty (30) day storage period or prior thereto at the request of the Lessor, the Lessee will disassemble each Item of Equipment as necessary and deliver it ready for shipment to the railhead nearest the location of such Item of Equipment and will if requested by the Lessor load such Item aboard such carrier as the Lessor shall specify and shall ship such Item freight collect to any place designated by the Lessor.

(ii) Group C and Group D Equipment. At the request of the Lessor, the Lessee will deliver possession of such Group C or Group D Item of Equipment on such railroad tracks in the Dallas-Ft. Worth, Texas Metropolitan area as the Lessor may reasonably designate or in the absence of any designation of a storage location, at such location as the Lessee may reasonably select, and the Lessee will arrange for storage of such Item of Equipment on such tracks without charge for insurance, rent or storage, for a period not exceeding thirty (30) days. At the end of such thirty (30) day storage period or prior thereto at the request of the Lessor, the Lessee will transport at the Lessee's expense such Item of Equipment to any place of interchange on lines of railroad within the Dallas-Ft. Worth, Texas Metropolitan area as the Lessor may reasonably direct in writing.

All such movement and storage of each Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. All amounts earned in respect of the Equipment after the date of expiration of this Lease, but not exceeding the rental, per diem, or other similar charge for equipment received therefor, shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

(b) Condition on Return. Each Item of Equipment returned to the Lessor pursuant to this Section 17 shall be in

the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted and in the case of Group D Equipment, suitable for use in interchange in accordance with the Interchange Rules.

(c) Specific Performance. The gathering, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so gather, deliver, store and transport the Equipment.

#### SECTION 18. CONSOLIDATION, MERGER AND SALE OF ASSETS.

The Lessee agrees that during the Lease Term and any renewal term it will maintain its corporate existence, will not sell or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, provided that the Lessee may, without violating the agreements contained in this Section 18, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another corporation or permit one or more corporations to merge into it, if the surviving, resulting, acquiring or transferee corporation, if other than the Lessee, (a) assumes in writing all of the obligations of the Lessee hereunder, (b) is a corporation organized under the laws of one of the states of the United States of America and (c) is a solvent corporation with a consolidated net worth (computed on the same basis as that of the Lessee) at least equal to the Consolidated Net Worth of the Lessee immediately prior to such consolidation, merger or sale.

For purposes of this Section:

(i) The term "Lessee's Subsidiary" shall mean any corporation of which a majority of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is at the time owned by the Lessee, or by one or more of the Lessee's Subsidiaries.

(ii) The term "Consolidated Net Worth" means the sum of the following amounts on a balance sheet of the Lessee and the Lessee's Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of the date as of which Consolidated Net Worth is to be determined: (A) the par or stated value of all outstanding shares of capital stock, plus (B) paid-in surplus, other capital surplus, earned surplus and retained earnings, less the sum of:

(w) the cost of any treasury stock,

(x) any revaluation surplus,

(y) all amounts appearing as assets on such balance sheet that are attributable to good will, licenses, franchises, patents, patent applications, trademarks, trade names, copyrights or other similar intangibles, leasehold improvements or deferred charges, and

(z) any amounts appearing as assets on such balance sheet which represent an obligation of any officer, director or stockholder (including any person controlling any such stockholder) of the Lessee or any of the Lessee's Subsidiaries.

#### SECTION 19. FINANCIAL REPORTS; EQUIPMENT REPORTS AND INSPECTION.

(a) Financial Reports. The Lessee agrees to furnish to the Lessor and the Secured Parties, in duplicate, with respect to the Sublessee:

(i) As soon as available and in any event within 60 days after the end of each quarterly period, a consolidated balance sheet of the Sublessee and its consolidated subsidiaries as at the end of such period, and a consolidated income statement of the Sublessee and its consolidated subsidiaries for the quarterly period ending on the date of such balance sheet, setting forth comparative figures for the corresponding quarter of the preceding fiscal year, all in reasonable detail and certified by the principal accounting officer of the Sublessee, and the quarterly report to its stockholders;

(ii) As soon as available and in any event 120 days after the last day of each fiscal year, a consolidated balance sheet of the Sublessee and its consolidated subsidiaries as at the end of such fiscal year, and a consolidated income statement and statement of changes in financial position for such fiscal year, setting forth comparative figures for the preceding fiscal year, all in reasonable detail and certified by independent public accountants of recognized standing selected by the Sublessee;

(iii) Promptly after their original distribution, copies of all such published financial statements and reports as the Sublessee shall send to its stockholders and of any registration statement or prospectus filed by the Sublessee or any subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency; and

(iv) Promptly upon their becoming available, copies of each Form 10-Q and Form 10-K filed by the Sublessee

with the Securities and Exchange Commission or any successor agency (it being understood that if and to the extent such Forms are provided within the time periods prescribed by and contain the reports and accompanying certificates required by clauses (a) and (b) above, the requirement of supplying such reports shall be deemed to have been met).

(b) Equipment Reports and Inspection. On or before the first April 1 which occurs more than four months following the date of this Lease, and on each April 1 thereafter during the term of this Lease, the Lessee will furnish to the Lessor and the Secured Parties an accurate description of all Items of Equipment that may have suffered a Casualty Occurrence during the 12 months ending on the preceding December 31 (or since the date of this Lease, in the case of the first such statement).

The Lessee will also permit the Lessor and the Secured Parties (or such persons as the Lessor or the Secured Parties may designate) to visit and inspect, under the Lessee's guidance and at the sole expense of such person or persons the Equipment and to examine the maintenance records and other similar information relating to the Equipment to the extent any such records or information exists, and to discuss the foregoing with the appropriate officers of the Lessee or the Sublessee, all at such reasonable times and as often as the Lessee and the Secured Parties may reasonably desire.

## SECTION 20. OPTIONS TO PURCHASE; OPTIONS TO RENEW.

(a) Options to Purchase. Provided that no Default or Event of Default has occurred and is continuing, the Lessee shall at the end of the Lease Term or any renewal term with respect to any Item of Equipment have the option to purchase such Item at a price equal to the "fair market sales value" thereof (plus all sales or other transfer taxes or other similar charges on or measured by such "fair market sales value"). The Lessee shall give the Lessor written notice not less than 120 days prior to the end of the Lease Term or any renewal term, as the case may be, with respect to such Item of Equipment of its election to exercise the purchase option with respect thereto provided by this Section 20(a). The "fair market sales value" with respect to any Item of Equipment shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market sales value of such Item of Equipment within 30 days of such notice of the Lessee's election to exercise the purchase option, the Lessee shall have the option of withdrawing its election to purchase at any time prior to the 90th day prior to the end of the Lease Term or the then current renewal term, as the case may be, with respect thereto or of proceeding to purchase such item

and the fair market sales value shall be determined on the basis of an appraisal mutually agreed to by two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such appraisal, determined on the basis of an appraisal made by a third independent appraiser chosen by the American Arbitration Association. The cost of any such appraisal shall be borne equally by the Lessee and the Lessor.

Payment of the purchase price shall be made at the place of payment and in the manner specified in Section 3(d) hereof against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to such Item of Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee has assumed or is obligated to discharge under the terms of this Lease. The Lessor shall not be required to make any representation or warranty as to the condition of the Equipment or any other matters, except as set forth in the preceding sentence hereof.

(b) Options to Renew. Provided that no Default or Event of Default has occurred and is continuing, at the end of the Lease Term with respect to any Item of Equipment, the Lessee shall have the option to renew and extend this Lease as to such Item of Equipment in any such case for additional renewal terms of not less than one year each (as the Lessor and the Lessee may agree), each; upon and subject to the terms and conditions herein contained for the original term of this Lease excepting only that the Periodic Rent for any such renewal term, which shall be payable quarterly in arrears during each such term, shall be an amount equal to the "fair market rental value" of such Item of Equipment; provided that the Lessee shall not be permitted a renewal option with respect to such Item if the duration of such renewal period when added to the Lease Term and any other expired or then expiring renewal period of such Item of Equipment shall exceed eighty per cent (80%) of the then useful life of such Item. Each renewal term with respect to an Item of Equipment shall commence immediately upon the expiration of the Lease Term or the then current renewal term, as the case may be, with respect thereto. The Lessee shall give the Lessor written notice not less than 90 days prior to the end of the Lease Term or the then current renewal term, as the case may be, with respect to such Item of Equipment of its election to exercise a renewal option with respect thereto provided for by this Section 20(b). The "fair market rental value" with respect to any Item of Equipment shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market rental value of such Item of Equipment within 60 days of such notice of the Lessee's election to exercise the renewal option, the Lessee shall have the option of withdrawing its election to renew at any time prior to the 60th day prior to the end of the Lease Term or the then current renewal

term, as the case may be, with respect thereto or of proceeding to renew and the fair market rental value shall be determined on the basis of an appraisal mutually agreed to by two independent appraisers, one chosen by the Lessor and one chosen by the Lessee, or, if such appraisers cannot agree on the amount of such appraisal, determined on the basis of an appraisal made by a third independent appraiser chosen by the American Arbitration Association. The cost of any such appraisal shall be borne equally by the Lessee and the Lessor.

SECTION 21. LESSEE'S REPRESENTATIONS AND WARRANTIES; SURVIVAL.

(a) Representations and Warranties. The Lessee represents and warrants that as of the date of execution hereof:

(1) The Lessee (i) is a corporation duly organized, legally existing and in good standing under the laws of the State of Texas, (ii) has all requisite power and authority to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted and has all requisite power and authority and all necessary licenses and permits to enter into and perform this Lease, Sublease Agreement No. 1 and the Acquisition Agreement; and (iii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction which in the opinion of management of the Lessee such qualification is necessary;

(2) Except as disclosed in the Form 10-K covering the fiscal year ended December 31, 1981 filed by the Sublessee with the Securities and Exchange Commission, there are no actions at law or in equity pending or, to the knowledge of the Lessee, threatened, which if determined adversely, would individually or in the aggregate result in any material adverse change in the business or properties of the Lessee or affect the ability of the Lessee to perform this Lease, Sublease Agreement No. 1 or the Acquisition Agreement; and, except as disclosed in said Form 10-K, there are no proceedings of any kind or nature pending or, to the knowledge of the Lessee, threatened, against the Lessee by any Federal or state board or other administrative authority or agency which may result in any material adverse change in the business or properties of the Lessee or affect the ability of the Lessee to perform this Lease, Sublease Agreement No. 1 or the Acquisition Agreement;

(3) The execution and performance of this Lease, Sublease Agreement No. 1 and the Acquisition Agreement will not violate any provisions of any order of any

court or governmental authority or agency binding on the Lessee or of any law and will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under the Articles of Incorporation or By-laws of the Lessee or any indenture or other agreement or instrument to which the Lessee is a party or by which it may be bound or result in the imposition of any liens or encumbrances on the Equipment;

(4) No Event of Default has occurred and is continuing;

(5) No approval, consent or withholding of objection on the part of any regulatory body, state, Federal or local, is necessary in connection with the execution and delivery or performance by the Lessee of this Lease, Sublease Agreement No. 1 or the Acquisition Agreement;

(6) The execution and delivery of this Lease, Sublease Agreement No. 1 and the Acquisition Agreement by the officers executing and delivering the same have been duly authorized by all necessary corporate action on the part of the Lessee and each of such instruments has been duly executed and delivered and constitutes the legal, valid and binding contract and agreement of the Lessee enforceable in accordance with its terms;

(7) The Lessee is not in default in the payment of the principal of, or interest on, any indebtedness for borrowed money or in default under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been issued; and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(b) Survival. The advance of funds by the Trustor and the purchase of the Notes by the Secured Parties under the Participation Agreement is being made in reliance on the representations and warranties contained in this Section 21 and said representations and warranties shall survive the execution and delivery of this Lease and said advance of funds by the Trustor and the purchase of the Notes by the Secured Parties and are expressly made for the benefit of, shall be enforceable by, and shall inure to the benefit of the Lessor, the Trustor and the Secured Parties.

SECTION 22. FURTHER ASSURANCES AND OPINIONS OF COUNSEL.

(a) Further Assurances. The Lessee will at its own expense do, execute, acknowledge, deliver, file, register and record all and every such further acts, deeds, conveyances, instruments, transfers and assurances required by law (including without limitation the Interstate Commerce Commission in accordance with 49 USC §11303(a) of the Interstate Commerce Act) or as the Lessor or either Secured Party may reasonably request in order to protect the right, title and interests of the Lessor hereunder or the perfection of the security interests granted by the Security Agreements and in connection with any such action will deliver to the Lessor and the Secured Parties proof of such filings. Without limiting the foregoing, the Lessee will cause the Security Agreements and this Lease, and all supplements thereto or hereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept recorded, registered and filed at its own expense in such manner and in such places as may be required by law or as the Lessor or the Secured Party may reasonably request in order fully to preserve and protect under the laws of the United States the rights of the Lessor hereunder and of each Secured Party under the Security Agreement to which it is a party and in connection with any such action, will deliver to the Lessor and the relevant Secured Party proof of such filings. The Lessor will, or, will cause the relevant Secured Party to, as the case may be, execute such instruments and take such actions as the Lessee may reasonably request to accomplish the intent of this Section 22(a).

(b) Opinions of Counsel. The Lessee agrees at its own expense to furnish or cause to be furnished to the Lessor and the relevant Secured Party promptly after the recordation of this Lease or any supplement or amendment hereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) and promptly after the execution and delivery of any Security Agreement and any supplement or amendment thereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law), an opinion of counsel satisfactory to the Lessor and relevant Secured Party (who may be counsel to the Lessee) stating that in the opinion of such counsel, this Lease and such supplement or amendment hereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) and such Security Agreement and such supplement or amendment thereto (or financing statement, continuation statement or similar notice thereof if and to the extent required by applicable law) have been properly recorded or filed for record in all public offices in the United States of America in which such recording or filing is necessary to protect the right, title and interest of the Lessor hereunder or, as the case may be, to perfect the security interest provided by such Security Agreement as a valid first security interest in the Items of Equipment, described therein, this Lease and the

Rent due and to become due hereunder with respect to such Items.

SECTION 23. COLLATERAL ASSIGNMENT BY LESSEE OF SUBLEASE AGREEMENT NO. 1.

(a) Assignment. As collateral security for the payment of any and all of the obligations and liabilities of the Lessee due hereunder, the Lessee does hereby grant a security interest in and assigns to the Lessor all of the right, title and interest which it has acquired or may have acquired under and pursuant to Sublease Agreement No. 1 whether now existing or hereafter entered into, including any and all extensions and renewals of Sublease Agreement No. 1, together, with all rights, powers, privileges, options and other benefits of the Lessee as sublessor under Sublease Agreement No. 1, including, without limitation:

(i) the immediate and continuing right to receive and collect all rental payments, casualty value payments, termination value payments, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Lessee as sublessor pursuant to Sublease Agreement No. 1;

(ii) the right to make all waivers and agreements and to enter into any amendments relating to Sublease Agreement No. 1 or any provision thereof; and

(iii) the right to take such action upon the occurrence of an Event of Default under Sublease Agreement No. 1 or an event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under Sublease Agreement No. 1, including the commencement, conduct and consummation of legal, administrative and other proceedings, as shall be permitted by Sublease Agreement No. 1 or by law, and to do any and all other things whatsoever which the Lessee is or may be entitled to do under Sublease Agreement No. 1;

it being the intent and purpose hereof that the assignment and transfer to the Lessor of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect at all times during the period from and after the date of this Lease until the end of the term of this Lease and of Sublease Agreement No. 1, but excepting and reserving from the security interest and assignment hereby granted the duties, obligations and liabilities, if any, of the Lessee as sublessor under Sublease Agreement No. 1.

(b) Modifications of Sublease Agreement No. 1. The Lessee will not:

(i) declare a default or exercise the remedies of the lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, Sublease Agreement No. 1 or by affirmative act consent to the creation or existence of any security interest or other lien to secure payment of indebtedness upon the leasehold estate created by Sublease Agreement No. 1 or any part thereof; or

(ii) receive or collect any rental payment or any other sum under Sublease Agreement No. 1 prior to the date for payment thereof provided for by Sublease Agreement No. 1 or assign, transfer or hypothecate (other than to the Lessor hereunder) any rent payment then due or to accrue in the future under Sublease Agreement No. 1.

(c) Further Assignment. The Lessee acknowledges and agrees that (i) all rights and interests assigned to the Lessor pursuant to this Section 23 may be further assigned in their entirety or as they relate to any Lease Supplement under Sublease No. 1 by the Lessor to any assignee in accordance with Section 14 hereof and upon an assignment relating to any such Lease Supplement, so long as any such separate assignment remains in full force and effect, Sublease No. 1 shall be deemed to be and shall have construed a divisible and severable contract between the Lessee and the Sublessee for the subleasing of the Items of Equipment covered by such separate assignment and any such assignee shall be entitled to exercise all of the rights and remedies of the Lessee as sublessor under Sublease No. 1 in respect of the Items of Equipment covered by such separate assignment, all to the same extent and with the same force and effect as though a separate Sublease No. 1 had been entered into by the Lessee and the Sublessee in respect of such Items, and (ii) the assignment provided for in this Section 23 shall not in any way obligate the Lessor or any of its successors or assigns to perform or satisfy any of the obligations or liabilities of the Lessee under Sublease Agreement No. 1.

(d) Power of Attorney. The Lessee hereby irrevocably constitutes and appoints the Lessor its true and lawful attorney with full power of substitution for it and in its name and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which may be or become due, payable or distributable to and in respect of the interests assigned under this Section 23, with full power to settle, adjust or compromise any claim thereof or therefor as fully as the Lessee could itself do and to endorse the name of the Lessee on all commercial paper given in payment or part payment thereof and all documents of satisfaction discharge or receipt required or requested in connection therewith and in its discretion to file any claim, to take any other action or

proceeding, either in its own name or in the name of the Lessee or otherwise, which the Lessor may deem necessary or appropriate to collect or otherwise realize upon any and all interest assigned hereunder, or which may be necessary or appropriate to protect and preserve the right, title and interest of the Lessor in and to the interests assigned under this Section 23 and the security intended to be afforded hereby. The Lessor understands and agrees that it shall not exercise the power of attorney herein granted unless and until a Default or Event of Default has occurred and is continuing.

(e) Rights under Uniform Commercial Code. Upon the occurrence of any Event of Default under this Lease, the Lessor shall, in addition to all other rights and remedies provided for herein, have in connection with the assignment provided for in this Section 23, all the rights of a secured party under the Uniform Commercial Code of Illinois (regardless of whether such Code is the law of the jurisdiction where the rights or remedies are asserted).

(f) Further Assurance. Without limiting the foregoing the Lessee hereby further covenants that it will, upon the written request of the Lessor, execute and deliver such further instruments and do and perform such other acts and things as are reasonably necessary to effectively invest in and secure to the Lessor and its assigns the interests assigned pursuant to this Section 23 or other rights or interests due or hereafter to become due.

(g) Application of Moneys. All distributions and payments to the Lessor pursuant to this Section 23 shall be applied by the Lessor to the payment and reduction of the obligations and liabilities of the Lessee for the payment of Rent under this Lease.

(h) Duration. The satisfaction or discharge of any part of the obligations or liabilities of the Lessee under this Lease shall not in any way satisfy or discharge the assignment provided for in this Section 23, but such assignment shall remain in full force and effect so long as any amount remains unpaid on any such obligations or liabilities.

#### SECTION 24. MISCELLANEOUS.

(a) Tax Indemnity Agreement. The Trustor and the Sublessee have entered into the Tax Indemnity Agreement providing for certain payments by the Sublessee to the Trustor in the event certain tax benefits contemplated by the Trustor as an incident to this transaction are not realized. It is understood and agreed that the performance and observance by the Lessee of its covenants and agreements hereunder shall not relieve the Sublessee of any of its obligations under the Tax Indemnity Agreement; and the performance and observance by the Sublessee of its covenants and agreements under the Tax Indemnity Agreement shall not relieve the Lessee of any of its obligations hereunder.

(b) No Waiver. No delay or omission to exercise any right, power or remedy accruing to the Lessor upon any breach of default by the Lessee under this Lease shall impair any such right, power or remedy of the Lessor, nor shall any such delay or omission be construed as a waiver of any breach or default, or of any similar breach or default thereafter occurring; nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. All waivers under this Lease must be in writing. All remedies either under this Lease or by law afforded to the Lessor shall be cumulative and not alternate.

(c) Right of Lessor to Perform. If the Lessee shall fail to comply with the covenants herein contained, including its covenants with respect to the maintenance of insurance, the payment of taxes, assessments and other charges or keeping the Equipment in repair and free of liens, charges and encumbrances, the Lessor or either Secured Party may, but shall not be obligated to (i) make advances to perform the same, and (ii) enter upon the land where the Equipment is located to perform any and all acts required by the Lessee's covenants herein contained and to take all such action thereon as in the Lessor's or either Secured Party's opinion may be necessary or appropriate therefor. All payments so made by the Lessor or either Secured Party and all costs and expenses (including without limitation reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee upon demand as additional Rent hereunder. No entry shall be deemed an eviction of the Lessee or repossession of the Equipment, and no such advance, performance or other act shall be deemed to relieve the Lessee from any default hereunder.

(d) Notices. Any notice provided for in this Lease shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, addressed as follows:

If to the Lessor:      First Security Bank of Utah,  
                                 National Association and Robert  
                                 S. Clark, as trustees under Lone  
                                 Star Steel Company Trust No. 82-1  
                                 79 South Main Street  
                                 Salt Lake City, Utah 84111  
                                 Attention: Trust Division -  
                                 Corporate Trust Department

If to the Lessee:      Lone Star Steel Company  
                                 P.O. Box 35888  
                                 2200 West Mockingbird Lane  
                                 Dallas, Texas 75235  
                                 Attention: Vice President and  
                                 Controller

with a copy to:

Philadelphia and Reading Corporation  
c/o Northwest Industries, Inc.  
6300 Sears Tower  
Chicago, Illinois 60606  
Attention: Treasurer

If to the Secured Parties:

Unionmutual Stock Life Insurance Co.  
of America  
2211 Congress Street  
Portland, Maine 04122  
Attention: Bond Investment Division

All notices and communications to be  
addressed as above, but all payments  
to be addressed as follows:

By bank wire transfer of Federal or  
other immediately available funds  
(identifying each payment as to issuer,  
security and principal or interest) to:  
Federal Reserve Bank of Boston  
for the account of Casco/Portland,  
Account Number 011200022  
For credit to Unionmutual Stock  
Life Insurance Co. of America  
Account No. 000-039-976

State of Wisconsin Investment Board  
244 West Washington Avenue  
P.O. Box 7842  
Madison, Wisconsin 53707  
Attention: Investment Director -  
Private Placements

All notices and communications to be  
addressed as above, but all payments  
to be addressed as follows:

By bank wire transfer of Federal or  
other immediately available funds  
(identifying each payment as to issuer,  
security and principal or interest) to:  
First Wisconsin National Bank  
of Milwaukee  
777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202

for deposit to the account  
of the State Treasurer with  
telephone advice to the State  
of Wisconsin Investment Board

or as to any of the foregoing parties at such other address as such party may designate by notice given in accordance with this Section 23 to the other parties hereto.

(e) Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Lease shall not render any other provision or provisions herein contained unenforceable or invalid.

(f) Concerning Lessor. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of First Security Bank of Utah, National Association, and Robert S. Clark, are nevertheless each and every one of them, made and intended not as personal representations, covenants, undertakings and agreements of them or for the purpose or with the intention of binding them personally but are made and intended for the purpose of binding only the Trust Estate; such Trust Estate is the Lessor hereunder, and this Lease is executed and delivered by First Security Bank of Utah, National Association, and Robert S. Clark not in their own right but solely in the exercise of the powers conferred upon them as trustees; and no personal liability or personal responsibility is assumed by nor shall at any time be asserted or enforceable against them on account of this Lease or on account of any representation, covenant, undertaking or agreement of them in this Lease contained, either express or implied, all such personal liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

(g) Amendments. Any term, covenant, agreement or condition of this Lease may be amended or compliance therewith waived (either generally or in a particular instance and either retroactively or prospectively) in respect of any Item of Equipment if the Lessee shall have obtained the written consent of the Lessor and the Secured Party having an interest in such Item and any such amendment or waiver shall be deemed to be and shall be construed as a divisible and severable agreement between the Lessor, such Secured Party and the Lessee in respect of such Item and no other Item of Equipment, all to the same extent and with the same force and effect as though a separate Lease and separate amendment or waiver thereof, as the case may be, had been entered into by the Lessor and the Lessee in respect of such Item.

(h) Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of the Lessor and the Lessee and their respective permitted successors and assigns.

(i) Counterparts. This Lease and any supplement hereto may be executed in counterpart, each counterpart constituting an original but all together one and the same instrument and contract.

(j) Governing Law. This Lease is being delivered in the State of Illinois and all of the rights and obligations hereunder, including matters of construction, validity and performance shall be governed by the laws of said State.

(k) License to Enter Land. With respect to any Item of Equipment located on real property belonging to the Lessee and subject to the proviso hereto, the Lessee hereby grants to the Lessor and the Secured Parties (or such persons as the Lessor or either Secured Party may designate) an irrevocable license (the Lessee hereby warranting that such license is valid and enforceable) to enter upon the land where the Equipment is located and to bring upon or across such land such trucks, cranes and other equipment-handling devices as such parties may deem necessary in connection with the commercially reasonable exercise of the Lessor's rights and remedies under this Lease; provided, however, that neither the Lessor nor either Secured Party shall be entitled to exercise such license unless an Event of Default has occurred and is continuing and this Lease or the Lessee's rights of possession hereunder have been terminated or the Lease Term has expired and the Lessee has failed or refused for any reason to surrender the Equipment pursuant to Section 16 hereof.

(l) Code Section 48(d) Election. The Lessor and the Lessee hereby agree, and the Lessor hereby elects, that, solely for purposes of Section 48(d) of the Code, the Lessee shall be treated as having acquired the Equipment for purposes of the investment tax credit under Section 38 of the Code. The Lessor also agrees that it will take no action or position for Federal income tax purposes, or otherwise, inconsistent with such treatment and election, and the Lessor and the Lessee each agree to take such action, including, but not limited to, execution of such other documents and instruments as the Lessor or the Lessee may, upon reasonable request, to effectuate such treatment and election.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, dated as of the day and year first above written.

[CORPORATE SEAL]

ATTEST:

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION, as trustee  
under Lone Star Steel Company  
Trust No. 82-1

*Edward Dixon*  
Secretary

By *Randy S. Marchant*  
Its ASSISTANT TRUST OFFICER

*[Signature]* (L.S.)  
ROBERT S. CLARK, as trustee  
under Lone Star Steel Company Trust  
No. 82-1

LESSOR

[CORPORATE SEAL]

ATTEST:

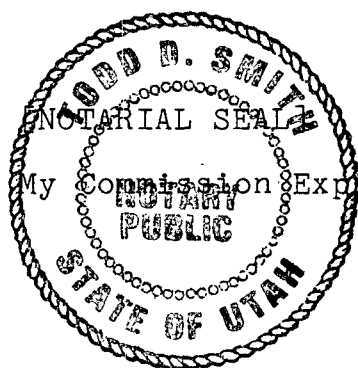
*R. J. Hill*  
Secretary

LONE STAR STEEL COMPANY

By *Daniel P. Casey*  
Its Attorney-in-fact for Lone Star Steel Company  
LESSEE

STATE OF UTAH )  
 ) SS  
COUNTY OF SALT LAKE )

On this 30<sup>th</sup> day of Sept, 1982, before me personally appeared RANDY R. MARCHANT, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, <sup>OF UTAH, N.A.</sup> that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Donald D. Smith  
Notary Public

STATE OF ILLINOIS )  
 ) SS  
COUNTY OF COOK )

On this 29<sup>th</sup> day of SEPTEMBER, 1982, before me personally appeared DANIEL P. CASEY, to me personally known, who, being by me duly sworn, says that he is the ATTORNEY-IN-FACT FOR ALEX LUNDSTEEN VICE PRESIDENT of LONE STAR STEEL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

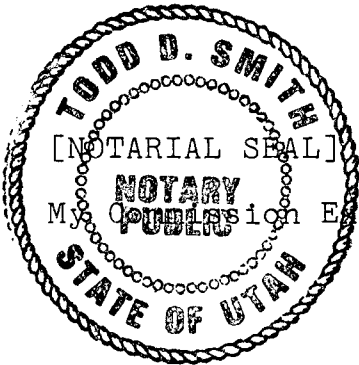
Jane Matusick  
Notary Public

[NOTARIAL SEAL]

My Commission Expires: 6/16/83

STATE OF UTAH                    )  
                                      ) SS  
COUNTY OF SALT LAKE        )

On this 30<sup>th</sup> day of Sept, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.



My Commission Expires:

8/13/85

Todd D. Smith  
Notary Public

LEASE SUPPLEMENT NO. \_\_\_\_\_

THIS LEASE SUPPLEMENT NO. \_\_, dated as of September 30, 1982 between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association and ROBERT S. CLARK, as trustees (the "Lessor") under the Trust Agreement dated as of September 30, 1982, and LONE STAR STEEL COMPANY, a Texas corporation (the "Lessee");

W I T N E S S E T H:

1. The Lessor and the Lessee have heretofore entered into a Lease Agreement dated as of September 30, 1982 (the "Lease") providing for the execution and delivery from time to time of Lease Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. The Lessee hereby acknowledges and confirms that on the date hereof the Equipment described in Schedule A attached hereto and made a part hereof (the "Equipment"), has been unconditionally accepted by the Lessee and is now leased under the Lease. The Lessee represents and warrants that the Equipment is free and clear of all liens, claims and encumbrances except the lien of the Security Agreement and of Permitted Encumbrances.

3. The date of delivery and acceptance of the Equipment is the date of this Lease Supplement set forth in the opening paragraph hereof.

4. The aggregate Lessor's Cost for the Equipment, the Lessor's Cost for each Item of Equipment, the Lease Term, the Interim Rent rate and the amount thereof, the Periodic Rent rate and the amount of each installment thereof and the Periodic Rent Payment dates with respect to each Item of Equipment are as set forth in Schedule A attached hereto.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this instrument to be executed, all as of the day and year first above written.

[CORPORATE SEAL]

ATTEST:

FIRST SECURITY BANK OF UTAH,  
NATIONAL ASSOCIATION,  
as trustee under Lone Star Steel  
Company Trust No. 82-1

By \_\_\_\_\_  
Its \_\_\_\_\_

\_\_\_\_\_  
ROBERT S. CLARK, as trustee under  
Lone Star Steel Company Trust No.  
82-1

LESSOR

[CORPORATE SEAL]

ATTEST:

LONE STAR STEEL COMPANY

By \_\_\_\_\_  
Its \_\_\_\_\_

LESSEE

STATE OF UTAH                    )  
                                  )  SS  
COUNTY OF SALT LAKE         )

On this \_\_\_\_ day of \_\_\_\_\_, 1982, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of FIRST SECURITY STATE BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF ILLINOIS               )  
                                  )  SS  
COUNTY OF COOK                )

On this \_\_\_\_ day of \_\_\_\_\_, 1982, before me personally appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, says that he is the \_\_\_\_\_ of LONE STAR STEEL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

STATE OF UTAH                    )  
                                  )  SS  
COUNTY OF SALT LAKE        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1982, before me personally appeared ROBERT S. CLARK, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

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Notary Public

[NOTARIAL SEAL]

My Commission Expires:

<u>Description of Item</u>	<u>Seller</u>	<u>Group, Lease Term and Periodic Rent Payment Dates</u>	<u>DESCRIPTION OF EQUIPMENT</u>				<u>Place of Delivery and Location</u>	<u>Re-lease Values</u>
			<u>Serial No.</u>	<u>Lessor's Cost</u>	<u>Interim Rent Rate and Amount</u>	<u>Periodic Rent Rate and Amount</u>		

See  
Schedule B  
attached  
hereto

SCHEDULE A  
(to Lease Supplement No. \_\_)

## SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of the Lessor's Cost of an Item of Equipment is to be paid on the Periodic Rent Commencement Date or a Periodic Rent Payment Date pursuant to Section 13 of the Lease Agreement as a result of such Item becoming the subject of a Casualty Occurrence depending upon when the Casualty Value is paid:

### GROUP A EQUIPMENT

	Casualty Value Payable with respect to a Group A Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)
Periodic Rent Commencement Date	107.96%
<u>Periodic Rent Payment Date No.</u>	
1	106.78%
2	105.28%
3	103.67%
4	101.95%
5	100.12%
6	98.17%
7	96.08%
8	93.86%
9	91.48%
10	88.95%
11	86.25%
12	83.37%
13	79.73%
14	75.85%
15	71.72%
16	67.32%
17	62.63%
18	57.63%
19	52.31%
20	46.63%
21	40.59%
22	34.16%
23	27.30%
24 and thereafter	20.00%

GROUP B EQUIPMENT

Casualty Value Payable  
with respect to a Group B  
Item of Equipment (in  
addition to Periodic  
Rent installment for such  
Item due on such date)

Periodic Rent Commencement Date 108.21%

Periodic  
Rent Payment  
Date No.

1	106.94%
2	105.96%
3	104.92%
4	103.81%
5	102.61%
6	101.34%
7	99.97%
8	98.51%
9	96.95%
10	95.28%
11	93.50%
12	91.59%
13	89.56%
14	87.39%
15	85.07%
16	82.41%
17	79.57%
18	76.54%
19	73.31%
20	69.86%
21	66.18%
22	62.26%
23	58.08%
24	53.62%
25	48.87%
26	43.81%
27	38.41%
28	32.66%
29	26.53%
30 and thereafter	20.00%

GROUP C EQUIPMENT

Casualty Value Payable  
with respect to a Group C  
Item of Equipment (in  
addition to Periodic  
Rent installment for such  
Item due on such date)

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Periodic Rent Commencement Date 107.57%

Periodic  
Rent Payment  
Date No.

1	107.01%
2	106.53%
3	106.01%
4	105.45%
5	104.85%
6	104.21%
7	103.51%
8	102.77%
9	101.97%
10	101.11%
11	100.19%
12	99.20%
13	98.15%
14	97.01%
15	95.80%
16	94.50%
17	93.11%
18	91.62%
19	90.03%
20	88.33%
21	84.85%
22	81.38%
23	77.91%
24	74.45%
25	70.99%
26	67.54%
27	64.10%
28	60.66%
29	57.23%
30	53.80%
31	50.39%
32	46.98%
33	43.58%
34	40.18%
35	36.80%
36	33.42%
37	30.05%
38	26.69%
39	23.34%
40 and thereafter	20.00%

GROUP D EQUIPMENT

Casualty Value Payable  
with respect to a Group D  
Item of Equipment (in  
addition to Periodic  
Rent installment for such  
Item due on such date)

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Periodic Rent Commencement Date 106.91%

Periodic  
Rent Payment  
Date No.

1	106.56%
2	106.28%
3	105.99%
4	105.66%
5	105.32%
6	104.94%
7	104.53%
8	104.09%
9	103.61%
10	103.10%
11	102.55%
12	101.95%
13	101.31%
14	100.62%
15	99.89%
16	99.09%
17	98.24%
18	97.33%
19	96.35%
20	95.30%
21	94.17%
22	92.96%
23	91.67%
24	90.29%
25	89.06%
26	87.74%
27	86.33%
28	84.82%
29	83.20%
30	81.47%
31	79.62%
32	77.65%
33	75.53%
34	73.28%
35	70.86%
36	68.29%
37	65.54%

GROUP D EQUIPMENT (cont'd)

<u>Periodic Rent Payment Date No.</u>	<u>Casualty Value Payable with respect to a Group D Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)</u>
38	62.60%
39	59.47%
40	56.13%
41	52.56%
42	48.75%
43	44.70%
44	40.37%
45	35.75%
46	30.83%
47	25.59%
48 and thereafter	20.00%

## SCHEDULE OF TERMINATION VALUE

TERMINATION VALUE: The following per cent of the Lessor's Cost of an Item of Equipment is to be paid on a Periodic Rent Payment Date pursuant to Section 13 of the Lease Agreement as a result of the Lessee terminating the Lease due to the obsolescence of an such Item depending upon when the Termination Value is paid:

### GROUP A EQUIPMENT

<u>Periodic Rent Payment Date No.</u>		<u>Termination Value Payable with respect to a Group A Item of Equipment (in addition to Periodic Rent installment for such Item due on such date)</u>
21		54.01%
22		48.08%
23		41.75%
24		35.00%

GROUP B EQUIPMENT

Termination Value Payable  
with respect to a Group B  
Item of Equipment (in  
addition to Periodic Rent  
installment for such Item  
due on such date)

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Periodic  
Rent Payment  
Date No.

21	77.51%
22	73.95%
23	70.14%
24	66.06%
25	61.71%
26	57.05%
27	52.07%
28	46.75%
29	41.07%
30	35.00%

GROUP C EQUIPMENT

Termination Value Payable  
with respect to a Group C  
Item of Equipment (in  
addition to Periodic Rent  
installment for such Item  
due on such date).

Periodic  
Rent Payment  
Date No.

21	96.00%
22	94.41%
23	94.70%
24	90.86%
25	88.88%
26	86.75%
27	84.48%
28	82.03%
29	79.41%
30	76.60%
31	73.59%
32	70.37%
33	66.92%
34	63.22%
35	59.27%
36	55.04%
37	40.52%
38	45.69%
39	40.52%
40	35.00%

GROUP D EQUIPMENT

Termination Value Payable  
with respect to a Group D  
Item of Equipment (in  
addition to Periodic Rent  
installment for such Item  
due on such date)

Periodic  
Rent Payment  
Date No.

21	102.35%
22	101.33%
23	100.23%
24	99.05%
25	98.01%
26	96.90%
27	95.69%
28	94.39%
29	93.00%
30	91.49%
31	89.87%
32	88.12%
33	86.25%
34	84.23%
35	82.07%
36	79.75%
37	77.26%
38	74.59%
39	71.73%
40	68.66%
41	65.38%
42	61.86%
43	58.10%
44	54.08%
45	49.78%
46	45.17%
47	40.26%
48	35.00%